

NORTH DAKOTA STATE EMPLOYEE COMPENSATION COMMISSION

June 20, 2012

Human Resource Management
Services Division

Office of Management and Budget

North Dakota Classified Employee Compensation System Projections

The following slides outline

- Implementation of the Hay Study Provisions
- Application of Hay Recommendations for Ongoing Salary Increase Administration Policy
- Projected Scenarios



Classified State Employee Compensation Study

- **April 14, 2011** – Hay Group presented final findings, including fiscal impact, to the Legislative Committee
 - Hay Group offered 2 Options for implementation:
 - Option 1 established ranges with a ‘Market Policy Point’ at 100% of market, minimums at 80% of MPP, maximums at 125% of MPP
 - Base implementation meeting new range minimums cost = **\$6.4 mill**
 - Full implementation moving employees into ranges cost = **\$39 mill**
 - Option 2 established ranges with a ‘Market Policy Point’ at 98% of market, minimums at 80% of MPP, maximums at 125% of MPP
 - Base implementation meeting new range minimums cost = **\$4.9 mill**
 - Full implementation moving employees into ranges cost = **\$35 mill**

Classified State Employee Compensation Study

The alternate implementation plan provides for:

- Retaining the existing classification grades & range structure through June 30, 2012
- Adopting the revised classification plan, grades, & ranges on July 1, 2012
 - Revised structure will place each salary range 'Market Policy Point' at 100% of market
 - Minimums at 75% of Market Policy Point
 - (vs original recommendation of 80%)
 - Maximums at 125% of Market Policy Point
 - Estimated total cost to meet new range minimums on July 1, 2012 is estimated between **\$1.3 & \$1.9 mill** (in addition to appropriations for general increases)

Classified State Employee Compensation Study

- HRMS & the JEC are Re-Reviewing Job Classes Based on Agency Concerns
 - Re-Evaluate Jobs to Quality Check Original Evaluations
 - Review Market Data for Pay Grade Exceptions
- Range Changes upon Implementation on July 1, 2012

Change	# of Job Classes	# of Employees
Salary Range Lower	134	1,106
Up Less than 1%	20	125
Up 1.1 - 5%	66	288
Up 5.1 - 10%	311	2,323
Up 10.1 - 15%	36	557
Up 15.2 - 20%	266	2,200
Up 20.1 - 30%	45	391
Up 30.1 - 42.4%	12	53
	890	7,043

Classified State Employee Compensation Study

A significant impact of the new system will be employees whose **salary falls below the new salary range minimum**.

- HRMS, OMB Budget Staff, & affected Agencies have met to review the impact and give agencies time to develop plans to address salaries below the range.

A second, significant impact is more **'compression' of salaries at the low end of the salary ranges**.

- With the more direct market relationship in the salary ranges, HRMS & OMB Budget Staff will be able to **recommend more effective distribution of salary appropriations to address compression**
- The compression issue is significant and **will require several bienniums to address** if funding is provided

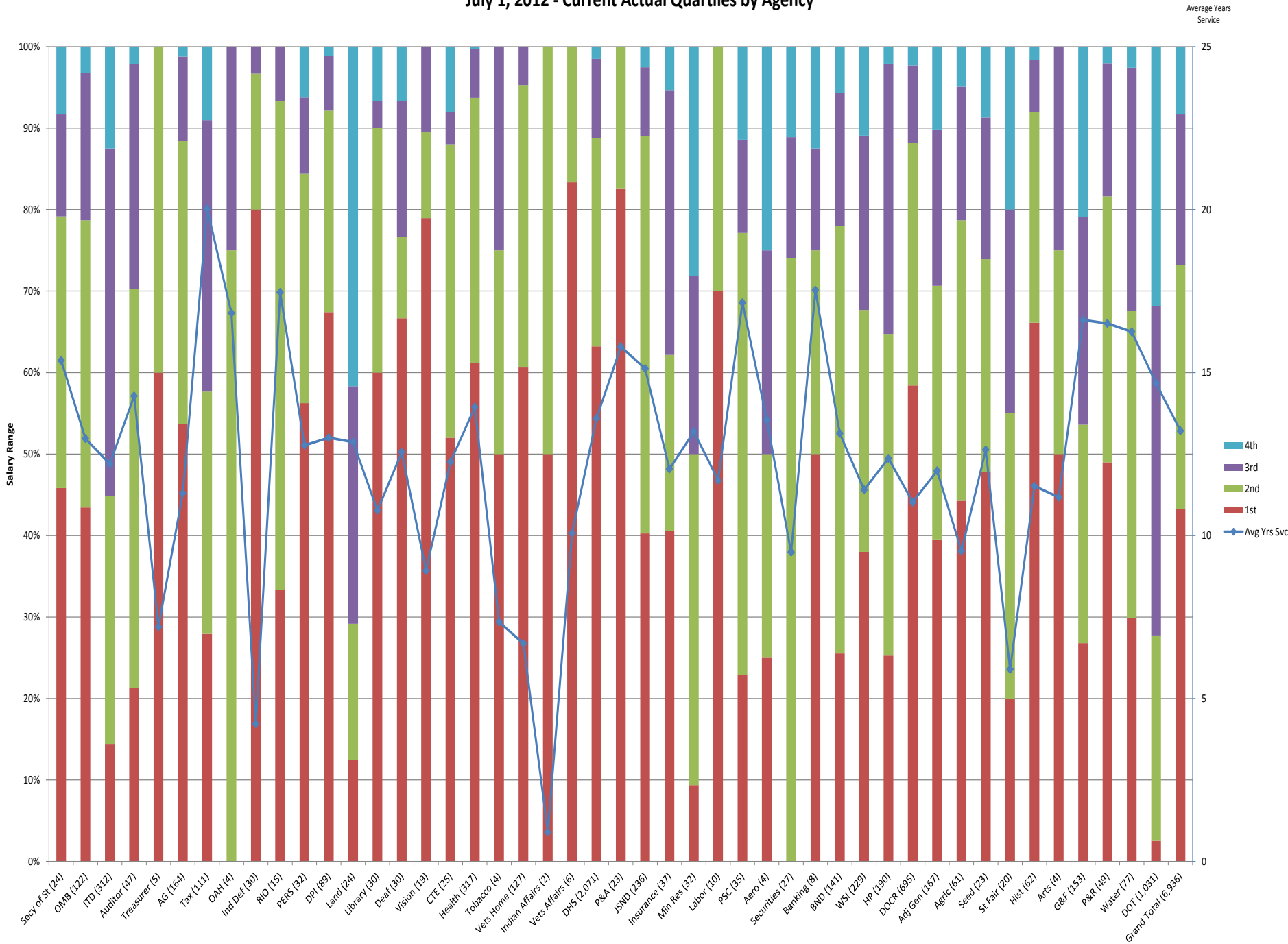
Classified State Employee Compensation Study

Upon Implementation on July 1:

- 681 employees received increases totaling \$1.85 million to reach the minimum of their new range
- **Prior to July 1**
 - 69.5% of classified employees were in the bottom half of their range
 - 31.2% in the bottom quartile of their range
- **After July 1**
 - 73% of classified employees are in the bottom half of their range
 - 43% in the bottom quartile of their range

Average Classified State Employee							
	Years of Age	Years of Service	Annual Salary	Actual Increase	Appropriated	Compa-Ratio	Notes
Jan 1997	43	12.2	26,273	3.1%	3.0%		
Jan 1998	43.8	12.1	27,034	2.9%	3.0%	0.98	
Aug 1998	44	12.1	27,963	3.4%	3.0%	0.97	
Nov 1999	44.2	12.2	28,860	3.2%	2.0%	0.96	(1)
Aug 2000	44.4	12.3	29,993	3.9%	2.0%	0.97	(2)
Aug 2001	44.8	12.5	31,467	4.9%	3.0%	0.96	(1)
Dec 2002	45.4	12.6	32,262	2.5%	2.0%	0.96	
Dec 2003	45.7	13.2	32,627	1.1%	0.0%	0.96	
Dec 2004	45.9	13.2	32,604	0.0%	0.0%	0.96	
Dec 2005	46.1	13.6	34,158	4.8%	4.0%	0.96	(3)
Dec 2006	46.2	13.4	35,640	4.3%	4.0%	0.96	
Dec 2007	46.2	13.2	37,834	6.2%	4.0%	0.95	(4)
Dec 2008	46.4	13.2	39,622	4.7%	4.0%	0.96	
Dec 2009	46.6	13.4	42,382	6.9%	5.0%	0.96	(5)
Dec 2010	46.6	13.2	44,698	5.5%	5.0%	0.96	
Dec 2011	46.5	13.2	46,057	3.0%	3.0%	0.96	
Aug 2012	46.6	13.2	48,559	5.4%	3.0%	0.90	(6)
	(1) Included 1999 & 2001 Market/Equity Funds (\$5.4 & \$5.0 mill respectively)						
	(2) Included authorization for agencies to 'self-fund' additional 1.0%						
	(3) Leg approp included \$1.5 mill for DOCR & \$413,000 for Hwy Patrol						
	(4) Included Market/Equity Fund (\$10 mill)						
	(5) Included Market/Equity Fund (\$23 mill)						
	(6) 7/1/2012 implementation of Classified Employee Compensation (Hay) Study Recommendations. Several agencies also provided salary increases to compete with extreme 'Oil Patch' competition.						

July 1, 2012 - Current Actual Quartiles by Agency



Classified State Employee Compensation Study

- Ranges under the new system are being established at **100% of Market**
 - Ranges will be more competitive but **salaries will remain clustered at the low end of the ranges**
 - More precise information will facilitate **prioritization of salary distribution**
- Hay Group recommendations included tools to help agencies combine **market position and performance in future salary increase decisions**
 - More precise market information will provide more basis to **target competitive salaries in the budget process**

Classified State Employee Compensation Study

- HRMS & Budget staff are now working on options and plans for distribution of salary appropriations in the 2013-15 Executive Budget. Strategic priorities being analyzed include:
 - Maintaining salary ranges in a competitive position with market
 - Need to increment ranges in 2013 & 2014
 - Plan to update Market Survey for ranges effective July 1, 2015
 - Identify the most significant situations of Compression
 - Develop distribution plans and models based on HayGroup 'Market Policy/Performance Pay Matrix' from the study recommendations

Classified State Employee Compensation Study

HayGroup®

Example Matrix

Relativity to Market Policy Position	% Increase
100% or Above	0%
92.1 – 99.9% of Market Target	1%
Less than 92% Below Market Policy Position	2%

+

Level of Performance	% Increase
Exceeds Expectations	4%
Achieves Expectations	2%
Needs Improvement	0%

= Increase

Percentages in this table are for example only,
actual percentages will be based on analysis and
Budget available each year/biennium.

CURRENT

After implementation of the Classified Employee Compensation Study grade structure and salary ranges as recommended by the Hay Group:

- The average Compa-Ratio (C/R) is **0.92** (92% of Market Policy Point)
- Percent of employees by salary range quartile
1st Quartile - 43% 2nd Quartile – 30% 3rd Quartile – 18% 4th Quartile – 8%

PROJECTED

Based on Sample Market Policy/Performance Matrix Scenarios

	Relativity to Market Policy Position *		+ Meet Standards	+ Exceed Standards			
MPP+	0	+	3.0%	5.0%			
2nd Qtl	0 - 1.0%						
1st Qtl	1 - 3.0%				Total biennium GF cost w/ben		
* ALL increases contingent upon Performance Meeting Standards.					(+20% Ben * 3yrs * 55%gf)		
					<u>Classified</u>	<u>UnClassified</u>	<u>Total</u>
Total Cost for 'Meets':		\$14,792,325	4.4%		29,288,803	4,695,832	33,984,634
Total Cost for 'Exceeds':		\$21,528,492	6.4%		42,626,414	6,834,232	49,460,645

- The average Compa-Ratio (C/R) would be **0.94**
- Percent of employees by salary range quartile
1st Quartile – 35% 2nd Quartile – 34% 3rd Quartile – 22% 4th Quartile – 9%

CURRENT

After implementation of the Classified Employee Compensation Study grade structure and salary ranges as recommended by the Hay Group:

- The average Compa-Ratio (C/R) is **0.92** (92% of Market Policy Point)
- Percent of employees by salary range quartile
1st Quartile - 43% 2nd Quartile – 30% 3rd Quartile – 18% 4th Quartile – 8%

PROJECTED

Based on Sample Market Policy/Performance Matrix Scenarios

	Relativity to Market Policy Position *		+ Meet Standards	+ Exceed Standards			
MPP+	0	+	3.0%	4.0%			
2nd Qtl	0 - 1.0%						
1st Qtl	1 - 3.0%				Total biennium GF cost w/ben (+20% Ben * 3yrs * 55%gf)		
* ALL increases contingent upon Performance Meeting Standards.							
					<u>Classified</u>	<u>UnClassified</u>	<u>Total</u>
Total Cost for 'Meets':		\$14,792,325	4.4%		29,288,803	4,695,832	33,984,634
Total Cost for 'Exceeds':		\$18,160,408	5.4%		35,957,608	5,765,032	41,722,640

- The average Compa-Ratio (C/R) would be **0.93**
- Percent of employees by salary range quartile
1st Quartile – 36% 2nd Quartile – 34% 3rd Quartile – 21% 4th Quartile – 9%

CURRENT

After implementation of the Classified Employee Compensation Study grade structure and salary ranges as recommended by the Hay Group:

- The average Compa-Ratio (C/R) is **0.92** (92% of Market Policy Point)
- Percent of employees by salary range quartile
1st Quartile - 43% 2nd Quartile – 30% 3rd Quartile – 18% 4th Quartile – 8%

PROJECTED

Based on Sample Market Policy/Performance Matrix Scenarios

	Relativity to Market Policy Position *		+ Meet Standards	+ Exceed Standards			
MPP+	0						
2nd Qtl	1 - 2.0%	+	3.0%	5.0%			
1st Qtl	2 - 4.0%						
* ALL increases contingent upon Performance Meeting Standards.					Total biennium GF cost w/ben (+20% Ben * 3yrs * 55%gf)		
					Classified	UnClassified	Total
Total Cost for 'Meets':		\$16,988,044	5.0%		33,636,328	5,392,864	39,029,192
Total Cost for 'Exceeds':		\$23,724,212	7.0%		46,973,939	7,531,264	54,505,203

- The average Compa-Ratio (C/R) would be **0.95**
- Percent of employees by salary range quartile
1st Quartile – 33% 2nd Quartile – 35% 3rd Quartile – 23% 4th Quartile – 10%

CURRENT

After implementation of the Classified Employee Compensation Study grade structure and salary ranges as recommended by the Hay Group:

- The average Compa-Ratio (C/R) is **0.92** (92% of Market Policy Point)
- Percent of employees by salary range quartile
1st Quartile - 43% 2nd Quartile – 30% 3rd Quartile – 18% 4th Quartile – 8%

PROJECTED

Based on Sample Market Policy/Performance Matrix Scenarios

	Relativity to Market Policy Position *		+ Meet Standards	+ Exceed Standards			
MPP+	0						
2nd Qtl	1 - 2.0%	+	3.0%	4.0%			
1st Qtl	2 - 4.0%				Total biennium GF cost w/ben		
* ALL increases contingent upon Performance Meeting Standards.					(+20% Ben * 3yrs * 55%gf)		
					Classified	UnClassified	Total
Total Cost for 'Meets':	\$16,988,044	5.0%			33,636,328	5,392,864	39,029,192
Total Cost for 'Exceeds':	\$20,356,128	6.0%			40,305,133	6,462,064	46,767,198

- The average Compa-Ratio (C/R) would be **0.94**
- Percent of employees by salary range quartile
1st Quartile – 33% 2nd Quartile – 35% 3rd Quartile – 23% 4th Quartile – 9%

QUESTIONS?

HRMS

Ken Purdy, Classification & Compensation Manager
Laurie Sterioti Hammeren, Director